

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MATTHEW BROWN and
MATTHEW BROWN COMPANIES, LLC,

Defendants.

Civ. Action No. 4:24-cv-00558

JURY TRIAL DEMANDED

COMPLAINT

The Securities and Exchange Commission (“SEC”) files this Complaint against Matthew Brown (“**Brown**”) and Matthew Brown Companies, LLC (“**Matthew Brown Companies**”) (together, “**Defendants**”), and alleges as follows:

I. SUMMARY

1. In March 2023, Defendants engaged in a fraudulent scheme to submit and publicly tout a bogus offer to purchase \$200 million of stock from Virgin Orbit Holdings, Inc. (“**Virgin Orbit**”).

2. On March 19, 2023, Defendant Brown sent unsolicited messages to Virgin Orbit executives offering to invest \$200 million in Virgin Orbit, which at the time was teetering on the brink of bankruptcy and seeking a funding lifeline. To convince Virgin Orbit that the offer was legitimate, Brown made false and misleading statements and omissions about his investment experience and funds available to make such an offer. Brown claimed that he had previously invested hundreds of millions of dollars of his “personal capital,” primarily in space companies. Most egregiously, Brown sent Virgin Orbit a fabricated screenshot of his company’s bank account

purporting to show a balance of over \$182 million in the account, when in fact, the account held *less than \$1* at the time.

3. Brown's bogus offer leaked to the media shortly after he made it, and Virgin Orbit's stock price rose approximately 33.1%.

4. Thereafter, on March 23, 2023, Brown appeared on CNBC, where he falsely portrayed himself as an experienced venture capitalist with investments "in over 13 space companies" and made false and misleading statements and omissions to the investing public concerning the legitimacy of his bogus \$200 million offer.

5. After appearing on CNBC, Brown attempted to profit from his misconduct by requesting that Virgin Orbit pay him a "break-up" fee if his proposed investment did not close. But Virgin Orbit refused to agree to any such fee.

6. Brown then failed to respond to Virgin Orbit's due diligence inquiries and, of course, never funded the offer. When the market learned that Brown's offer had collapsed, Virgin Orbit's stock price dropped, and the company filed for bankruptcy soon after.

7. By engaging in the acts and conduct alleged herein, Defendants violated Section 10(b) of the Securities Exchange Act of 1934 ("**Exchange Act**") and Rule 10b-5 thereunder. The SEC seeks: (i) permanent injunctive relief against both Defendants; (ii) an officer-and-director bar against Brown; and (iii) a civil penalty against Brown.

II. JURISDICTION AND VENUE

8. The SEC brings this action pursuant to the authority conferred upon it by Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

9. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), (e), and 78aa].

10. Defendants, directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce, transportation, or communication, and/or of facilities of a national securities exchange in interstate commerce, in connection with the acts, practices, transactions, and courses of business alleged in this Complaint.

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. One or both Defendants transact business in this District, and on information and belief, one or both Defendants are found or are inhabitants of this District. In addition, certain acts, practices, and/or transactions constituting violations of the securities laws alleged herein occurred within this District.

III. DEFENDANTS

12. Defendant Matthew Brown is believed to reside in the Dallas-Fort Worth area. In the SEC's investigation that preceded the filing of this Complaint, Brown testified that he leased an apartment in Dallas, Texas at or around the time of the relevant events in this case (i.e., March 2023), and claimed that his lease expired in or around August 2023. His parents reside in Fort Worth, Texas, and on information and belief, Brown either is residing or has resided there. Public records list various addresses in or around Dallas and Fort Worth associated with Brown since 2020.

13. Defendant Matthew Brown Companies is a Delaware limited liability company with its principal place of business in Fort Worth, Texas. Brown is the President, sole managing member, and sole employee of Matthew Brown Companies. Its sole filing with the Delaware Secretary of State is a Certificate of Formation filed in April 2020 that lists Brown as its sole member and his address in Fort Worth, Texas. This same Fort Worth address is listed as the mailing address for Matthew Brown Companies on its bank account statements as recently as March 2023. These bank account statements relate to a bank account in the name of Matthew Brown Companies

at a bank branch located in Fort Worth, Texas—the same bank account for which Brown sent a fabricated screenshot to Virgin Orbit on March 19, 2023. Matthew Brown Companies has also held itself out as a Texas venture capital firm via its website, www.matthewbrowncompanies.com.

IV. FACTS

A. Virgin Orbit

14. In 2017, Virgin Group spun off newly formed Virgin Orbit from Virgin Galactic Holdings, Inc. (“**Virgin Galactic**”). Virgin Galactic primarily offered space tourism services, while Virgin Orbit provided commercial satellite launch services.

15. After the spin-off, Virgin Orbit began trading publicly on the Nasdaq under the Ticker Symbol: VORB.¹

16. Virgin Orbit carried out six missions, four of which were successful. Its last mission, in January 2023, was not successful, as the launched rockets failed to reach orbit and the commercial and defense satellites they were carrying fell into the ocean.

17. On March 15, 2023, CNBC reported that Virgin Orbit was furloughing nearly all its employees and pausing operations for one week as it looked for a funding lifeline. Later that day, Virgin Orbit filed a Form 8-K with the SEC, disclosing that it would immediately initiate a company-wide operational pause to conserve capital, pursue additional funding, and explore strategic opportunities.

18. After markets opened the next day, on March 16, 2023, Virgin Orbit’s stock price fell from \$1.01 per share to \$0.71 per share.

¹ Virgin Orbit’s Ticker Symbol became VORBQ when it filed bankruptcy.

B. Defendants' Bogus Offer and Misrepresentations and Omissions to Virgin Orbit.

19. On March 19, 2023, Brown sent an unsolicited message via LinkedIn to Virgin Orbit's CEO to discuss a possible "capital injection." After the CEO responded, Brown wrote back on March 19, 2023: "I have invested over \$750mm of my personal capital, largely in this [space] vertical, and largely in stealth mode.... I have the bandwidth to write the \$200mm." He further emphasized: "I want to reiterate this [sic] my capital not...anyone else's."

20. Brown had never invested "over \$750mm" of his personal capital, he had never held any personal investments or positions in any space companies, and he did not have the bandwidth to invest \$200 million of his own capital or from any other known source of capital accessible to him at the time. In fact, at or around the time of his statements to Virgin Orbit's CEO, Brown was self-employed and, as he later admitted under oath, his net worth was "negative"—none of which he disclosed to Virgin Orbit in this message or in subsequent communications with Virgin Orbit. Also, by representing that his earlier investments were "largely in stealth mode," Brown created the false and misleading impression that his alleged investment history was hidden from public view, when, in fact, no such investment history existed.

21. Nonetheless, on March 19, 2023, the same day as his LinkedIn message, Brown sent an unsolicited email to Virgin Orbit's Vice President ("VP") of Investor Relations to set up a call regarding "financing." After exchanging emails, Brown, on behalf of himself and Matthew Brown Companies, emailed the VP of Investor Relations on March 19, 2023: "I hope this can get the ball rolling. I do not have access to my J.P. M brokerage acct but this should hopefully paint a decent picture until we get further down the road." Brown attached to his email a screenshot of a bank account in the name of Matthew Brown Companies purporting to show a "current" and "accessible" balance, as of March 19, 2023, of \$182,383,991.26.

22. The screenshot attached to Brown's March 19, 2023 email to Virgin Orbit's VP of Investor Relations was fabricated and contained materially false and misleading representations. Specifically, as of March 19, 2023, the actual balance of the Matthew Brown Companies' bank account that Brown identified to support his offer was less than \$1, which Defendants never disclosed to Virgin Orbit.

23. By falsely portraying his experience and available funding, Brown was able to engage Virgin Orbit in negotiations over his bogus offer. At the outset of these negotiations, Virgin Orbit sent Brown a non-disclosure agreement ("NDA") requiring each side to safeguard and not disclose any confidential information exchanged during discussions surrounding Defendants' proposed investment. Both sides executed the NDA on or around March 19 or 20, 2023. At Defendants' request, Virgin Orbit also prepared and sent Defendants a term sheet for the proposed \$200 million investment on or around March 20, 2023. The term sheet provided for Brown to receive \$200 million of Virgin Orbit preferred stock, convertible to common stock following stockholder and regulatory approval, in exchange for Brown's \$200 million investment.

24. On March 19 and 20, 2023, Brown had additional calls and emails with representatives of Virgin Orbit where he repeated the same or similar false and misleading statements and omissions discussed above. In emails on March 19 and 20, 2023 with Virgin Orbit's representatives, Brown also represented that he had a law degree from Southern Methodist University in Dallas, when in fact Brown had never graduated from college, let alone attended law school.

25. Brown also sought to induce Virgin Orbit to expedite the transaction. For example, on March 20, 2023, after Virgin Orbit sent Brown and his lawyer a draft term sheet, Brown responded: "[i]n the interest of time, let us both work together outside counsel until definitive

agreements. (aka let us get the [term sheet] executed and then we can run the race – I would prefer to do the [term sheet] tonight or within the next 24hr.).”

26. On March 22, 2023, Virgin Orbit filed a Form 8-K with the SEC announcing it would immediately resume operations to prepare for its next mission while it sought new funding—a significant change from its March 15, 2023 Form 8-K announcing a company-wide operational pause. Although this announcement did not mention Brown or the term sheet, a couple of hours later, Reuters reported that Virgin Orbit was near a deal to raise \$200 million from Matthew Brown Companies, “according to a term sheet seen by Reuters.”

27. These public reports following the bogus offer—including Virgin Orbit’s March 22, 2023 Form 8-K and the Reuters report published the same day—inflated Virgin Orbit’s stock price. Following Virgin Orbit’s Form 8-K filing and the publication of the Reuters article, Virgin Orbit’s stock price rose 33.1% on March 22, 2023, from \$0.44 per share to \$0.59 per share. Trading volume for VORB shares also increased on March 22, 2023 in comparison to the day before.

28. Brown knew, or was severely reckless in not knowing, that his deceptive conduct, misstatements, and omissions about his background and available funds would create the false and misleading impression that Defendants’ \$200 million offer was legitimate and would trigger public announcements that could impact Virgin Orbit’s stock price.

C. Defendants’ False and Misleading Statements and Omissions on CNBC.

29. Despite having executed an NDA with Virgin Orbit only days earlier, Brown appeared on CNBC on March 23, 2023, where he participated in a live, nationally televised interview that was broadcast to the general public. During that interview, Brown confirmed the reported \$200 million investment offer that he and his company proposed to Virgin Orbit. Brown further represented that he and his company were in “final discussions” with Virgin Orbit and that they “fully plan” on closing a transaction “in the next 24 hours.” Although he suggested that he

could not get into the details of the discussions, he confirmed his proposed investment would “make [Virgin Orbit] cash flow positive” and that he would “basically be the owner” of Virgin Orbit as a result of the transaction.

30. During his CNBC interview, Brown also portrayed himself and Matthew Brown Companies as successful, experienced venture capitalists within the space industry. He even claimed that he and his company held investments “in over 13 space companies.”

31. In reality, Brown and his company had never held any investments or positions in any space companies, much less investments in “over 13 space companies.” He also lacked the capital and resources needed to close on the \$200 million investment, had no experience making investments of the magnitude purportedly offered to Virgin Orbit, and later admitted in testimony that his net worth at the time was “negative”—none of which he disclosed in his CNBC interview or in any subsequent disclosures to investors.

32. Brown knew, or was severely reckless in not knowing, that his misstatements and omissions during the CNBC interview about his background and purported offer were false, would create the false and misleading impression that Defendants’ \$200 million offer was legitimate, and could impact Virgin Orbit’s stock price.

D. Virgin Orbit Files Bankruptcy After Negotiations With Defendants Collapse.

33. Shortly after the CNBC interview, Brown attempted—unsuccessfully—to profit from his deceptive conduct (and his false and misleading statements and omissions) through a proposed “break-up” fee. Specifically, on March 24, 2023, Brown wrote to Virgin Orbit, lamenting that he “wish[ed] [his] name was never made public,” and that he had supposedly “been on the phone nonstop since the leak” of his offer (i.e., the Reuters article). Thus, before signing a term sheet that required him to disclose confidential information to Virgin Orbit, Brown proposed that

Virgin Orbit agree to “a break up fee of 3%” to be paid to him if the investment transaction did not close.

34. Virgin Orbit refused Brown’s break-up fee proposal and responded on March 24, 2023: “[i]f you have funds and can place them in a verifiable escrow account with the appropriate agreement and can send to us [then] we can discuss.” Brown responded by again asking for Virgin Orbit to agree to a break-up fee, to which Virgin Orbit again reiterated that Brown needed to first place the necessary funds in escrow and respond to Virgin Orbit’s basic due diligence requests.

35. Because Brown continued to refuse to escrow funds (which he did not have) or respond to Virgin Orbit’s basic due diligence requests, negotiations quickly broke down. By March 24, 2023, Brown conceded to Virgin Orbit that “[i]t looks like the deal will not consummate....” On March 25, 2023, Virgin Orbit’s counsel sent Brown a cease-and-desist letter, demanding that he stop disclosing confidential information and communications in violation of the NDA.

36. On March 27, 2023—after the markets closed—CNBC reported that Virgin Orbit had failed to obtain new funding, noting that Brown’s offer had collapsed. When markets reopened the next day, on March 28, 2023, Virgin Orbit’s stock price dropped approximately 28.4%, from approximately \$0.54 per share to \$0.38 per share. A week later, on April 4, 2023, Virgin Orbit filed for bankruptcy, and on May 2, 2023, it was delisted from Nasdaq.

V. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5(a)-(c) thereunder [17 C.F.R. §§ 240.10b-5(a)-(c)]**

(Against Defendants)

37. The SEC re-alleges and incorporates paragraphs 1-36 above by reference as if fully set forth hereunder.

38. By engaging in the acts and conduct alleged herein, and as alleged in paragraphs 19-36 above, Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange:

- employed a device, scheme, or artifice to defraud; and/or
- made untrue statements of material facts, or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- engaged in acts, practices, or courses of business which operated, or would operate, as a fraud or deceit upon any person.

39. With regard to the violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c) thereunder, Defendants acted with scienter and engaged in the referenced acts knowingly and/or with severe recklessness.

40. By reason of the foregoing, Defendants have violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a)-(c) thereunder [17 C.F.R. § 240.10b-5(a)-(c)].

VI. PRAYER FOR RELIEF

41. WHEREFORE, the SEC respectfully requests that this Court enter a Final Judgment:

- Permanently restraining and enjoining Defendants from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- Permanently restraining and enjoining Brown from directly or indirectly, including but not limited to, through any entity owned or controlled by him, participating in the

issuance, purchase, offer, or sale of any security; provided, however, that such injunction shall not prevent him from purchasing or selling securities for his own personal account;

- Permanently barring Brown, pursuant to Section 21(d)(2) of the Exchange Act, from acting or serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

- Ordering Brown to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

- Granting such other and further relief as this Court may deem appropriate, just, equitable, and/or necessary.

VII. JURY DEMAND

42. The SEC demands trial by jury in this action on all issues so triable.

Dated: June 17, 2024

Respectfully submitted,

/s/ Patrick Disbennett

Patrick Disbennett

Texas Bar No. 24094629

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